

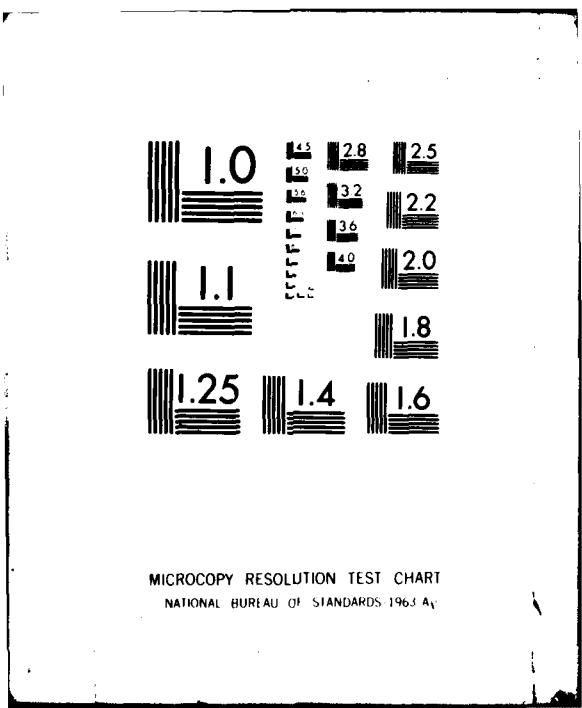
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INFORMATION ON PEANUT ALLOTMENT OWNERS THAT LEASE AND MENT AWAY--ETC(U)
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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

**COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION**

B-204751 (4) GAO/CED-81-156

The Honorable Richard G. Lugar
United States Senate

Dear Senator Lugar:

Subject: Information on Peanut Allotment Owners
That Lease and Rent Away Rather Than
Plant Their Peanut Allotments/Quotas.
(FED-81-156)

In response to your August 26, 1981, letter, we obtained information on certain aspects of the Department of Agriculture's peanut allotment program. Your office was provided an oral briefing on the matters discussed in this report on September 16, 1981. In addition to responding to your specific questions, this report provides general background information on the program.

In summary, our limited review disclosed that:

--County offices of the Department's Agricultural Stabilization and Conservation Service (ASCS) maintain records on individual leases and rentals 1/ of peanut allotments; however, only those on leases are summarized for internal agency reporting purposes. The ASCS records do not show the primary occupation or sources of income of the allotment owners.

—The Department's estimate that 70 percent of peanut allotment acreage planted is leased or rented is based on data obtained from a 1978 survey. The purpose of this survey was to obtain information on peanut production practices in selected growing areas. Because it was not a comprehensive study, not all peanut-producing States and counties were represented and only a small number of producers were contacted in the selected areas. Therefore, the data contained in the survey cannot be projected across the whole program.

1/The peanut program permits the leasing of allotments; that is, the transfer of an allotment and quota from the allotment owner's farm to a lessee's farm. The other method of transferring an allotment is the renting of the allotment owner's land and allotment to the producer.

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--Data we developed on the extent of peanut allotment leasing/renting in four selected counties in Alabama, Georgia, Texas, and Virginia indicated that a significant number of the allotment acres are leased or rented. Details on the occupational or industrial categories of the allotment owners are presented by county in the enclosure to this report.

DESCRIPTION OF THE PEANUT ALLOTMENT PROGRAM

Section 359(b) of the Agricultural Adjustment Act of 1938, as amended, provides that anyone growing and marketing more than 1 acre of peanuts in the United States without a peanut allotment and quota is subject to a substantial penalty. Allotments have been assigned to individual farms. A person without an original allotment must either inherit, purchase, or rent the farm, or lease the peanut allotment from the farm's owner. Each allotment holder receives, as a farm poundage marketing quota, a proportionate share of the national poundage quota established by the Secretary of Agriculture.

In 1981 the national peanut allotment was 1,739,000 acres. There are 16 States with allotments, but 92 percent of the allotments are in just 6 States--Alabama, Georgia, North Carolina, Oklahoma, Texas, and Virginia.

When peanuts are grown under lease or rental arrangements, not by the owners of the allotments, the cost of production is increased by the lease/rent cost. According to data obtained by the Department during a 1978 survey, in 1977 this cost ranged from a low of \$31 an acre in Texas to a high of \$192 an acre in Georgia.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to your August 26, 1981, request concerning the extent to which peanut allotment owners lease or rent away their allotments/quotas, our objectives were

- to determine the availability of certain information in records the Department of Agriculture maintains on the peanut program;
- to determine the validity of the Department's estimate that 70 percent of the peanuts grown in the United States are produced using leased/rented allotments and quotas; and
- to obtain information on the occupations and/or primary sources of income of the allotment owners who lease or rent away their allotment/quotas.

At the time we received your request, we were examining the Department's peanut program as part of a general review of the effects of acreage allotments and marketing quotas on production and prices. We were able to accomplish the first two objectives of your request by reviewing pertinent documents and interviewing Department employees in Washington, D.C., and at several county offices.

Data needed to accomplish the third objective is available only at the county office level and certain information, the occupations and sources of income of the allotment owners, is not in the Department's records. This information must be obtained either from the allotment owners or from the personal knowledge of county office personnel. Because of the time constraints, we actually had only 2 weeks to perform the audit work, we relied on county office employees for this information and did not contact allotment owners to verify the information or to obtain information on those owners the county office personnel did not know about.

Also, because of the time constraints, we did not use statistical sampling techniques to select the counties reviewed, and we did not obtain complete information on two of the four counties selected. Since we already had staff reviewing the peanut program in three large 1/ peanut-producing counties--Comanche County, Texas; Worth County, Georgia; and Pike County, Alabama--we obtained the requested information on allotment owners at these county offices. These counties are located in only two of the three major peanut-producing areas, however. Prince George County, Virginia, 2/ was added to provide coverage in the third area.

In two of the four counties, we were not able to gather all the information requested for all allotment owners in the time available. For Worth County we completed farms with 20 percent of the county's allotment acreage, and for Pike County we completed all allotment leases but none of the rentals.

Since we judgmentally selected the four counties reviewed, our sample is not statistically representative nor can it be projected across the whole program.

1/Comanche County has the largest acreage allotment of any county in Texas; Worth County has the second largest in Georgia; and Pike County, the fourth largest in Alabama.

2/Prince George County has the eighth largest acreage allotment of any county in Virginia.

AVAILABILITY OF INFORMATION ON THE
LEASING AND RENTING OF ALLOTMENTS

The ASCS county office records on individual leases and rentals of peanut allotments show the allotment owner's name and address and the pounds of marketing quota and allotment acres being leased or rented, but they do not contain information on the allotment owner's primary occupation or sources of income, or on the amount of income an owner receives for the lease or rental of an allotment. ASCS county office employees generally have some personal knowledge of most allotment owners, however, and this is the primary basis for our categorization of allotment owners shown in the enclosure. Information on leases (that is, number of farms and acreage/quotas transferred) is summarized for internal agency reporting purposes; information on rentals is not summarized at all.

ASCS requires the lessee and lessor to sign an ASCS Form 375 "Record of Transfer of Allotment or Quota" for all leases. In those cases where the peanut producer rents the owner's land and allotment, the rental data is provided to ASCS by the producer on an ASCS Form 578 "Report of Acreage."

Data from the Form 375s is summarized and reported in an ASCS computer printout entitled "Lease and Transfer of Farm Poundage Peanuts." In 1980 about 273,000 acres were transferred by lease. In the counties we visited, however, more allotment acres are rented than are leased. Yet, the data from the Form 578s is not summarized or reported at any level--county, State, or national. The only estimate that the Department has made as to the portion of peanut allotment acreage being planted that is both leased and rented (70 percent) was based on a 1978 Department survey of peanut production practices in six States.

VALIDITY OF THE DEPARTMENT'S ESTIMATE OF
THE PORTION OF PEANUT ALLOTMENT ACREAGE
BEING PLANTED THAT IS LEASED AND RENTED

The Department estimates that 70 percent of peanut allotment acreage planted is leased or rented. This was determined using data from a 1978 Department survey on 1977 crop year peanuts. The purpose of the survey was to obtain data on peanut production practices used by farmers in selected growing areas only--all counties having 1,000 or more acres of peanuts in 1977 in the six largest peanut-producing States--Alabama, Georgia, North Carolina, Oklahoma, Texas, and Virginia. Department personnel from the agency responsible for conducting the survey told us that the data cannot be projected across the whole program, however, because of the small number of producers contacted (a total of 721 in the six States) and because all producers did not have a chance of being selected (not all peanut-producing States and counties were included).

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DATA ON ALLOTMENT OWNERS AND LEASING
ACTIVITIES IN FOUR SELECTED COUNTIES

The enclosure is a summary schedule of data showing how much of the counties' allotment acreage used in crop year 1981 was leased or rented from owners in various occupational categories--for example, full-time farmers, part-time farmers, widows, heirs and estates, nonfarming corporations, and individuals with full-time jobs off the farm. The ASCS county office personnel, who administer the peanut allotment/quota program in the four counties we visited, used their personal knowledge of the allotment owners to help us categorize most of the allotment owners. When the county office personnel did not know an allotment owner's occupation, the owner was categorized as either reside off-farm or unknown (when little or nothing was known about the owner beyond the fact that the owner did not operate the farm).

Following is some additional data obtained during our visits to the four county offices which may be of interest.

Prince George County, Virginia

This county is on the fringe of the Virginia/North Carolina region and has fewer peanut allotments and less allotment acreage than the other three counties visited. In crop year 1981 there were 299 farms in the county with 4,073 acres of allotments. Allotments on 19 farms (89 acres) were not leased, rented, or used by their owners in 1981. Of the 3,984 acres of allotment acreage used in 1981, about 16 percent was leased, 58 percent rented, and 26 percent retained and planted by the allotment owners.

The amount of allotment acreage owned and leased or rented away by heirs and estates was substantially greater than that of widows--12.6 percent versus 4.8 percent. The portions categorized as businessmen and professionals (7.4 percent) and individuals working full-time off the farm (9.7 percent) were also greater.

Comanche County, Texas

In crop year 1981 there were 1,332 farms in the county with 66,176 acres of allotments. Of the county's total allotment, 5,721 acres were not leased, rented, or planted by their owners in 1981. Of the 60,455 acres of allotments planted in 1981, about 17 percent was leased, 40 percent rented, and 43 percent retained and planted by the allotment owners.

Owners of a large portion of the acreage being leased and rented were farmers (24.4 percent), ranchers (5.5 percent), and retired farmers and ranchers (8.2 percent). Allotment acreage owned by estates and heirs (7.9 percent) exceeded that owned by

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widows (4.0 percent) in this county as it did in Prince George and Worth Counties. Furthermore, widows owning 828 acres, one-third of the acres owned by all widows, are not retired but operate their farms or ranches either full-time or part-time.

Owners of 23 dairy farms also leased and rented away 999 acres and 35 farms owned by investors in a pecan growers cooperative leased and rented away 910 acres.

Pike County, Alabama

In Pike County we analyzed all Form 375s (allotment leases) but did not obtain the data on acreage/allotment rentals from the Form 578s. Of the county's total allotment acreage used in 1981, 27,043 acres, about 39 percent (10,625 acres) was leased.

The occupational categories with the largest portion of leased acreage were "businessmen/professionals" and "others working full-time off the farm." They accounted for 11.7 percent of the total allotment acreage used. Widows accounted for 5.5 percent. There were also 30 owners of tree farms that leased away 612 acres. Twelve of these farms (351 acres) were owned by paper companies.

Worth County, Georgia

In Worth County we analyzed 167 farm allotment ownerships, which is about 14 percent of the 1,230 farms in the county with peanut allotments. Of the 6,352 acres of allotment used, 1,155 acres, or 18.2 percent, were owned by heirs and estates; 597 acres, or 9.4 percent, by widows; 579 acres by a naval stores (rosin and turpentine) producer; 259 acres by a lawyer; and 123 acres by a peanut handler.

As stated previously, time did not permit us to obtain complete information on two of the four counties we visited or to verify the information provided orally by the ASCS county office staffs. And, at your request we did not take the additional time to obtain agency comments on matters discussed in this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from its issue date. At that time, we will send copies to interested parties and make copies available upon request.

Sincerely yours,

Henry Eschwege
Henry Eschwege
Director

ENCLOSURE

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SUMMARY OF PEANUT ALLOTMENT OWNERSHIP DATA FOR FOUR COUNTIES FOR CROP YEAR 1981

	Prince George--Va. Acres	North--Ga. (note a) Acres	Comanche--Tex. Acres	Pike--Ala. (note b) Acres
	Percent	Percent	Percent	Percent
Allotments leased/rented:				
Partners	90.3	2.3	240.3	3.8
Full-time	197.1	4.9	6.8	0.1
Part-time				6,188.4
Retired farmers	484.7	12.2	219.0	3.4
Wives of farmers	153.1	3.8	596.8	9.4
Nonfarming individuals:				
Retired	72.6	1.8	87.4	1.4
Widows	39.4	1.0	0	0
Bois and estates	502.1	12.6	1,155.0	18.2
Business/professionals	296.2	7.4	511.8	6.1
Others working full-time off-farm	386.3	9.7	9/161.8	2.5
Beside off-farm	0	0	226.3	3.6
Unknown (occupation/income)	619.5	15.6	390.0	6.1
Special categories:				
Tree farms:				
Paper companies	0	0	0	0
Other companies	0	0	0	0
Individuals	0	0	0	0
Naval stores producer	0	0	578.8	9.1
Dairies	0	0	0	0
Ranches	0	0	21.4	0.3
Nonfarming corporations	107.5	2.7	0	153.0
Total leased and rented	2,948.8	74.0	4,195.4	66.0
Allotments planted by their owners	1,035.0	26.0	2,156.9	34.0
Total allotments used	3,983.8	100.0	6,352.3	100.0

g/Includes only 167 farms representing about 20 percent of the county's peanut allotment acreage.

b/Leases only; data on rentals not obtained.

g/Includes 81.8 acres owned by three individuals who do not work but live off investment income.

